

Message Text

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ACTION EB-07

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FM AMEMBASSY TOKYO

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INFO AMEMBASSY SANA

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E.O. 11652: N/A

TAGS: ETRD, EAID, JA, YE

SUBJECT: YAR TO IMPOSE RESTRICTIONS ON JAPANESE TRADE

REF: SANA 2914

SUMMARY. GOJ IS ATTEMPTING TO CLARIFY KINDS OF TRADE RESTRICTIONS IMPOSED BY YARG ON JAPANESE GOODS. GOJ HAS SO FAR ATTEMPTED WITHOUT SUCCESS TO PERSUADE JAPANESE FIRMS TO RESUME PURCHASES OF YEMENI ROCK SALT, AND WILL CONTINUE THESE EFFORTS AS WELL AS EFFORT TO REDRESS GENERAL TRADE IMBALANCE. GOJ IS WILLING TO EXTEND OFFICIAL AID TO YEMEN, BUT, ACCORDING FONOFF, NEXT STEP IS UP TO YEMEN. GOJ DESIROUS OF GOOD RELATIONS WITH YEMEN IN VIEW THAT COUNTRY'S STRATEGIC IMPORTANCE IN AREA, AND IS AWARE POSSIBILITY JAPAN'S PROBLEM WITH YEMEN COULD INFLUENCE ATTITUDES OF OTHER ME COUNTRIES TOWARDS JAPAN. END SUMMARY.

1. EMBASSY HAS REVIEWED JAPAN-YEMEN AFFAIR WITH OFFICIALS OF MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (NONOUCHI, DIRECTOR, WEST EUROPE-AFRICA-MIDDLE EAST DIVISION) AND FONOFF (NISHIZAKI, DIRECTOR, SECOND MIDDLE EAST DIVISION).

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BOTH OFFICIALS SAID THEY UNDERSTAND YEMEN HAS IMPOSED

IMPORT RESTRICTIONS OF SOME SORT ON JAPANESE GOODS, BUT GOJ IS STILL SEEKING CLARIFICATION FROM YARG RE PRECISE STEPS WHICH HAVE BEEN OR MAY BE TAKEN. NISHIZAKI PROVIDED THE FOLLOWING ADDITIONAL INFO:

2. PRIOR TO 1971 JAPAN IMPORTED CONSIDERABLE QUANTITIES OF YEMENI ROCK SALT, BUT IN THAT YEAR JAPANESE FIRMS CONCLUDED LONG TERM SUPPLY CONTRACTS AT LOWER PRICES WITH MEXICAN AND AUSTRALIAN PRODUCERS, AND IN ADDITION, THE GOJ ALTERED ITS IMPORT QUOTA SYSTEM TO THE DIS-ADVANTAGE OF YEMEN. (EMBASSY COMMENT: SALT IS A STATE-TRADED ITEM IN JAPAN AND IMPORTS ARE SUBJECT TO QUANTITATIVE RESTRICTIONS. THE JAPAN MONOPOLY CORPORATION NORMALLY IMPORTS SALT DIRECTLY AND ALLOCATES IT AMONG END USERS BASED ON PAST PERFORMANCE AND FUTURE PLANS. END COMMENT.) AS A RESULT, NO YEMENI ROCK SALT HAS BEEN PURCHASED SINCE 1972; IN THAT YEAR SOME 16,600 METRIC TONS WERE PURCHASED.

3. BEGINNING AROUND 1970, YEMEN BEGAN MODERNIZING AND DEVELOPING ITS ROCK SALT PRODUCTION FACILITIES, PERHAPS, SAID NISHIZAKI, IN RESPONSE TO SUGGESTIONS BY JAPANESE FIRMS THAT YEMEN'S HIGH PRICE COULD BE LOWERED IF THE FACILITIES WERE IMPROVED. THE IMPROVEMENT UTILIZES KUWAITI AID FUNDS AND IS TO BE COMPLETED MID-1976.

4. YEMENIS HAVE REPEATEDLY ASKED THE JAPANESE TO RESUME THEIR PURCHASES. HOWEVER, FACTORS OTHER THAN PRICE HAVE MADE THIS DIFFICULT FOR THE JAPANESE: A) HIGHTENED CONCERN IN JAPAN ABOUT ENVIRONMENTAL POLLUTION, THE PRESENCE IN YEMENI ROCK SALT OF UNDESIRABLE, INSOLUBLE POLLUTANTS, AND THE DIFFICULTY OF DISPOSING OF SUCH POLLUTANTS; B) ONGOING CHANGE-OVER BY JAPAN'S CAUSTIC SODA INDUSTRY, NOW ABOUT ONE-THIRD COMPLETE, FROM TRADITIONAL MERCURY PROCESS USING ROCK SALT TO NEW DIAPHRAGM METHOD WHICH DOES NOT USE ROCK SALT, AND INDUSTRY RESULTANT REFUSAL TO PURCHASE ADDITIONAL YEMENI ROCK SALT. (THIS SWITCH, INCIDENTALLY, HAS BEEN OCCASIONED BOTH BY ENVIRONMENTAL CONCERS AND BY THE POTENTIAL ENTRY INTO JAPAN OF DOW CHEMICAL AS A PRODUCER LIMITED OFFICIAL USE

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OF CAUSTIC SODA USING THE DIAPHRAGM METHOD; THIS ENTRY, IN TURN, WAS MADE POSSIBLE BY JAPANESE LIBERALIZATION OF INWARD FOREIGN INVESTMENT AS A RESULT OF STRONG USG PRESSURE.)

5. GOJ HAS MADE ITS BEST EFFORTS TO PERSUADE JAPANESE FIRMS TO BUY YEMENI ROCK SALT, SAID NISHIZAKI, BUT WITHOUT SUCCESS. GOJ HAS ALSO ENCOURAGED IMPORTERS TO

LOOK FOR ALTERNATE MARKETS IN OTHER COUNTRIES, AND WOULD PROBABLY SUBSIDIZE THIRD COUNTRY SALES IF NECESSARY, BUT THIS EFFORT HAS ALSO BEEN FRUITLESS SO FAR. LAUGHING BUT NOT ENTIRELY FACETIOUSLY NISHIZAKI NOTED CHAIN OF CAUSE AND EFFECT LINKING USG WITH PRESENT JAPAN-YEMEN PROBLEM AND WONDERED WHETHER U.S. OFFERED MARKET OPPORTUNITIES FOR YEMENI SALT.

6. RE JAPANESE AID, NISHIZAKI DENIED PRESS REPORTS TO EFFECT EARLIER GOJ SPECIAL ENVOY KOSAKA HAD PROMISED TEN MILLION DOLLARS IN AID TO YEMEN. HE SAID KOSAKA HAD MENTIONED NO AMOUNT BUT HAD PROPOSED TO COOPERATE WITH FEASIBLE DEVELOPMENT PROJECTS. IN VIEW OF YEMEN'S STATUS AS LLDC AND ITS STRATEGIC IMPORTANCE IN PERSIAN GULF AREA, GOJ IS WORKING TO INCREASE JAPANESE IMPORTS FROM YEMEN AS WELL AS PROVIDE OFFICIAL ECONOMIC AND TECHNICAL ASSISTANCE; HOWEVER, GOJ IS AT PRESENT WAITING FOR PROPOSALS AND/OR FEASIBILITY STUDIES RE SPECIFIC PROJECTS FROM YEMENI SIDE. ON PRIVATE SIDE, JAPANESE FIRMS ARE NOT INTERESTED IN COMMERCIAL DEVELOPMENT PROJECTS IN YEMEN, HE SAID.

7. NISHIZAKI ACKNOWLEDGED POSSIBILITY THAT PROBLEM MIGHT AFFECT JAPAN'S RELATIONS WITH OTHER MIDDLE EAST COUNTRIES. NISHIZAKI OBSERVED THAT EXTREME IMBALANCE IN YEMENI EXPORTS AND IMPORTS, BOTH GLOBALLY AND WITH JAPAN, IS IN EFFECT FINANCED BY SAG AID AND THAT SAG THUS MIGHT BE SENSITIVE ABOUT PRESENT JAPAN-YEMEN PROBLEMS.

8. IN CLOSING, NISHIZAKI SAID FONOFF REGARDS GOOD JAPANESE AND WESTERN RELATIONS WITH YARG AS IMPORTANT AND IS CONTINUING EFFORTS TO SOLVE PRESENT LIMITED OFFICIAL USE

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PROBLEM.

9. EMBASSY COMMENT. NISHIZAKI'S ACCOUNT OF WHERE AID BOTTLENECK LIES (PARA 6) OBVIOUSLY VARIES FROM ACCOUNT CONTAINED REFTEL. END COMMENT.
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